

Message Text

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ACTION EA-10

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TO SECSTATE WASHDC 1275

S E C R E T BANGKOK 3622

E.O. 11652: GDS

TAGS: EMIN, EINV, TH

SUBJ: TEMCO

SUMMARY: PRIME MINISTER SENI PRAMOT HIGHLIGHTED MARCH 3 THAT THE TEMCO ISSUE PROVOKES NATIONALISTIC RATHER THAN RATIONAL RESPONSES. ALTHOUGH HIS BETTER JUDGMENT PERSUADES HIM OTHERWISE, HE THUS MAY HAVE TO MAKE DECISIONS AGAINST TEMCO. END SUMMARY.

1. DURING THE COURSE OF A DINNER AT THE RESIDENCE MARCH 3, PRIME MINISTER SENI PRAMOT TALKED SEPARATELY WITH THE AMBASSADOR AND THE DCM ON PROBLEMS SURROUNDING THE THAILAND EXPLORATION AND MINING COMPANY, LTD. (TEMCO). SENI, WHO IS UNDER CONSIDERABLE PRESSURE TO ABROGATE THE TEMCO TIN MINING CONCESSION, CITED THE WIDE AGITATION ABOUT TEMCO AS A STRIKING EXAMPLE OF WELL-FINANCED LEFTIST ACTIVITY IN THAILAND. SENI IS PERSONALLY RELUCTANT TO TAKE SUCH ACTION BECAUSE HE FEELS THERE IS A REASONABLE SOLUTION TO THE ISSUE. SINCE MANY POACHERS HAVE ALREADY DROWNED FROM DIVING TOO DEEP, THE INDIVIDUAL POACHER OPERATIONS OFF SHORE COULD BE LIMITED TO A CERTAIN WATER DEPTH. TEMCO DREDGING COULD CONTINUE IN THE DEEPER WATER FARTHER OUT.

2. WHEN THE DCM INFORMED SENI THAT TEMCO WAS HALF OWNED BY THE DUTCH, SENI SEEMED UNAWARE OF THIS FACT. HE SAID THAT THE KEY WAS NOT WHICH FOREIGNER OWNED THE COMPANY, BUT THAT THERE WAS NOT A MAJORITY OF THAI OWNERSHIP. HE SAID HE EXPECTED

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PRESSURES TO CONTINUE ON THIS ISSUE. RESISTING THEM WOULD

BE MOST DIFFICULT IN VIEW OF THE EMOTIONS GENERATED.

3. SENI IS AWARE THAT THE ORIGINAL ARRANGEMENTS THAT FIELD MARSHAL SARIT THANARAT MADE FOR THE PREDECESSOR MINING COMPANY TO TEMCO WERE FOR INDIVIDUAL GAIN RATHER THAN THAI-NATIONAL WELFARE. HE IS ALSO AWARE THAT TEMCO, UNTIL 1974, HAD INVESTED MORE MONEY THAN IT HAD RECEIVED FROM ORE SALES. HE KNOWS THAT TEMCO HAS BEEN A SOURCE OF CONSIDERABLE TAX REVENUE FOR THE RTG, AND THAT THE THAI ARE CURRENTLY INCAPABLE OF OPERATING THE DREDGING OPERATION THEMSELVES.

4. FORMER MINISTER OF INDUSTRY, ARUN SORATHET FAVORED CONTINUATION OF THE TEMCO LEASE. SENI SAID THAT MANY OF THE YOUNGER MEMBERS OF HIS CABINET THOUGHT ARUN A TRAITOR FOR TAKING THAT POSITION. ALTHOUGH SENI REALIZES THE ADVERSE EFFECT THAT ABROGATION OF THE TEMCO LEASE WOULD HAVE ON FOREIGN INVESTMENT IN THAILAND, HE SAYS THAT WHEN HE TRIES TO FIND A REASONABLE SOLUTION WHICH IS NOT A 100 PERCENT ON THE SIDE OF THAI NATIONALISM, HIS COLLEAGUES TEND TO REGARD EVEN HIM AS A TRAITOR.

COMMENT: IT LOOKS AS THOUGH SENI, WHO HAS A RATIONAL GRASP OF THE TEMCO PROBLEM, MAY HAVE TO MAKE A NATIONALISTIC DECISION AGAINST HIS OWN INCLINATIONS. EMOTIONALISM, NOT LOGIC, IS AT ISSUE. ASSUMING SENI CABINET WINS VOTE OF CONFIDENCE AND IS IN BUSINESS, I PLAN SEND KEY CABINET OFFICERS, INCLUDING PRIME MINISTER, COPIES OF TEMCO PREPARED CONCESSION HISTORY ALONG WITH COVERING LETTER CAUTIONING RTG WEIGH CAREFULLY CONSEQUENCES OF CONCESSION CANCELLATION. I WILL ALLUDE TO OPIC GUARANTEE PROBLEM, POSSIBLE DIFFICULTIES IN OBTAINING PREFERENCE FOR THAILAND UNDER NEW U.S. TRADE LEGISLATION AND GENERAL ADVERSE IMPACT ON INVESTMENT CLIMATE WHICH WOULD RESULT FROM CONCESSION CANCELLATION.

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